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U.S. International Transactions: Third Quarter 1999

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$89.9 billion in the third quarter from \$80.9 billion (revised) in the second, according to preliminary estimates of the Commerce Department's Bureau of Economic Analysis. The increase was nearly all accounted for by an increase in the deficit on goods and services; there was a small increase in the deficit on income.

Goods and services

The deficit on goods and services increased to \$73.8 billion in the third quarter from \$65.1 billion in the second.

Goods The deficit on goods increased to \$92.1 billion in the third quarter from \$84.4 billion in the second. Goods exports increased to \$173.6 billion from \$165.9 billion. The increase was mostly accounted for by increases in capital goods, including civilian aircraft, engines, and parts, and in nonagricultural industrial supplies and materials.

Goods imports increased to \$265.7 billion from \$250.3 billion. About three-fourths of the increase was accounted for by widespread increases in nonpetroleum products. The increase in petroleum products was more than accounted for by a continued rise in petroleum prices.

Services The surplus on services decreased to \$18.3 billion in the third quarter from \$19.3 billion in the second.

Service receipts increased to \$69.0 billion from \$68.7 billion. The increase was more than accounted for by increases in "other" transportation, in "other" private services, and in transfers under U.S. military sales contracts.

Service payments increased to \$50.7 billion from \$49.3 billion. The increase was more than accounted for by increases in "other" transportation, in "other" private services, in direct defense expenditures, and in travel.

Income

The deficit on income increased to \$4.9 billion in the third quarter from \$4.6 billion in the second.

Investment income Income receipts on U.S.-owned assets abroad increased to \$69.1 billion from \$66.4 billion. The increase was accounted for by increases in direct investment receipts and in "other" private receipts.

Income payments on foreign-owned assets in the United States increased to \$72.6 billion from \$69.6 billion. The increase was more than accounted for by increases in "other" private payments and in U.S. Government payments, while direct investment payments decreased slightly.

Compensation of employees Receipts for compensation of U.S. workers abroad were unchanged at \$0.5 billion. Payments for compensation of foreign workers in the United States were unchanged at \$1.9 billion.

Unilateral current transfers

Net unilateral current transfers were unchanged at \$11.2 billion. Increases in private remittances and other transfers were offset by decreases in U.S. Government grants.

Capital and Financial Account

Capital Account

Net capital account transactions were unchanged at \$0.2 billion.

Financial Account

Net recorded financial inflows--the difference between changes in U.S.-owned assets abroad and changes in foreign-owned assets in the United States--were \$105.7 billion in the third quarter, down from \$119.6 billion (revised) in the second.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$101.5 billion in the third quarter, following an increase of \$154.7 billion in the second.

U.S. claims on foreigners reported by U.S. banks decreased \$0.4 billion in the third quarter, in contrast to an increase of \$42.5 billion in the second. The shift was mostly accounted for by sharply reduced credit demand from Western Europe.

Net U.S. purchases of foreign securities decreased to \$26.5 billion in third quarter from \$64.6 billion in the second. Net U.S. purchases of foreign stocks declined to \$19.2 billion from \$67.7 billion, mostly as a result of sharply lower exchanges of stock related to acquisitions of U.S. companies by foreign companies. Transactions in foreign bonds shifted to net U.S. purchases of \$7.3 billion from net U.S. sales of \$3.1 billion.

Net financial outflows for U.S. direct investment abroad were \$44.5 billion in the third quarter, up from \$31.6 billion in the second. Net equity capital outflows increased sharply, reinvested earnings increased, and net intercompany debt shifted to small inflows.

U.S. official reserve assets decreased \$2.0 billion in the third quarter, following a decrease of \$1.2 billion in the second.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$207.2 billion in the third quarter, following an increase of \$274.3 billion in the second.

Net financial inflows for foreign direct investment in the United States were \$44.5 billion in the third quarter, down sharply from \$154.4 billion in the second. Net equity inflows fell as a result of sharply lower acquisitions of U.S. companies by foreign companies. Reinvested earnings and net intercompany debt inflows both increased.

Net foreign purchases of U.S. securities other than U.S. Treasury securities increased to a second consecutive record of \$93.1 billion in the third quarter, following the previous record for net purchases of \$79.1 billion in the second. Net foreign purchases of U.S. stocks slowed to \$24.1 billion from \$29.0 billion, while net foreign purchases of U.S. corporate and other bonds surged to \$69.0 billion from \$50.1 billion.

U.S. liabilities to foreigners reported by U.S. banks, excluding U.S. Treasury securities, increased \$31.0 billion in the third quarter, down from \$34.9 billion in the second. Some of the third-quarter increase was prompted by more favorable short-term yields in the United States than overseas, leading to increased placement of funds in U.S. banks by private foreigners.

Net foreign transactions in U.S. Treasury securities shifted to net foreign purchases of \$9.7 billion in the third quarter, from net foreign sales of \$5.4 billion in the second. The shift was partly attributable to sharply higher yields on U.S. Treasury bonds.

Net U.S. currency shipments were \$4.7 billion in the third quarter, up from \$3.1 billion in the second.

Foreign official assets in the United States increased \$12.1 billion in the third quarter, in contrast to a decrease of \$0.6 billion in the second. The increase was mostly accounted for by an increase in assets of several industrial and non-OPEC developing countries.

The statistical discrepancy--errors and omissions in recorded transactions--was a negative \$15.9 billion in the third quarter, compared with a negative \$38.8 billion in the second.

In the third quarter, the U.S. dollar depreciated 1 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The second-quarter international transactions are revised from previously published estimates. The current-account deficit for the second quarter was revised to \$80.9 billion from \$80.7 billion. The goods deficit was revised to \$84.4 billion from \$84.6 billion; the services surplus was revised to \$19.3 billion from \$19.6 billion; the deficit on income was revised to \$4.6 billion from \$4.4 billion; and net unilateral current transfers were virtually unchanged from the previous estimate at \$11.2 billion. Net recorded financial inflows were revised to \$119.6 billion

from \$116.9 billion.

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Release dates for 2000:

Fourth quarter and year 1999.....March 15, 2000 (Wednesday)
First quarter 2000.....June 20, 2000 (Tuesday)
Second quarter 2000.....September 13, 2000 (Wednesday)
Third quarter 2000.....December 14, 2000 (Thursday)

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5362 U.S. international transactions
-5306 Gross domestic product
-5303 Personal income and outlays

Most of BEA's estimates and analyses appear in the Survey of Current Business, BEA's monthly journal. The printed Survey of Current Business is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: Annual subscription \$120.00 domestic. Second class mail: Annual subscription \$48.00 domestic, \$60.00 foreign; single issue \$17.25 domestic, \$21.56 foreign.

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Table 1.--U.S. International Transactions
 [Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)		1998				1999				Change: 1999 II-III
			I	II	III	IV	I	IIr	IIIp	
Current account										
1	Exports of goods and services and income receipts.....	1,192,231	302,289	298,463	291,493	299,985	295,932	301,369	312,189	10,820
2	Exports of goods and services.....	933,907	235,831	231,889	229,284	236,904	231,904	234,512	242,626	8,114
3	Goods, balance of payments basis 1/.....	670,246	170,665	165,198	164,259	170,124	164,292	165,862	173,578	7,716
4	Services 2/.....	263,661	65,166	66,691	65,025	66,780	67,612	68,650	69,048	398
5	Transfers under U.S. military agency sales contracts.....	17,155	4,606	4,489	3,979	4,081	4,340	4,099	4,257	158
6	Travel.....	71,250	17,903	18,260	17,149	17,938	18,138	18,437	18,322	-115
7	Passenger fares.....	19,996	4,916	5,185	5,052	4,843	4,995	5,240	5,332	92
8	Other transportation.....	25,518	6,338	6,268	6,339	6,575	6,501	6,731	6,921	190
9	Royalties and license fees.....	36,808	8,882	9,002	9,029	9,894	9,337	9,365	9,317	-48
10	Other private services.....	92,116	22,302	23,296	23,278	23,240	24,095	24,531	24,696	165
11	U.S. Government miscellaneous services.....	818	219	191	199	209	206	247	203	-44
12	Income receipts.....	258,324	66,458	66,574	62,209	63,081	64,028	66,857	69,563	2,706
13	Income receipts on U.S.-owned assets abroad.....	256,467	65,994	66,111	61,744	62,617	63,558	66,386	69,093	2,707
14	Direct investment receipts.....	102,846	27,338	26,744	23,124	25,639	26,910	28,486	29,916	1,430
15	Other private receipts.....	150,001	37,826	38,412	37,744	36,019	35,760	37,072	38,426	1,354
16	U.S. Government receipts.....	3,620	830	955	876	959	888	828	751	-77
17	Compensation of employees.....	1,857	464	463	465	464	470	471	470	-1
18	Imports of goods and services and income payments.....	-1,368,718	-335,380	-340,977	-344,182	-348,180	-354,246	-371,066	-390,934	-19,868
19	Imports of goods and services.....	-1,098,189	-269,169	-273,850	-275,008	-280,166	-285,878	-299,597	-316,451	-16,854
20	Goods, balance of payments basis 1/.....	-917,178	-225,541	-228,698	-229,228	-233,711	-238,495	-250,274	-265,723	-15,449
21	Services 2/.....	-181,011	-43,628	-45,152	-45,780	-46,455	-47,383	-49,323	-50,728	-1,405
22	Direct defense expenditures.....	-12,841	-3,098	-3,061	-3,276	-3,406	-3,503	-3,593	-3,850	-257
23	Travel.....	-56,105	-13,736	-14,168	-14,070	-14,131	-14,847	-14,960	-15,191	-231
24	Passenger fares.....	-19,797	-4,629	-4,958	-5,085	-5,125	-5,114	-5,316	-5,456	-140
25	Other transportation.....	-30,457	-7,321	-7,590	-7,700	-7,849	-7,726	-8,362	-9,102	-740
26	Royalties and license fees.....	-11,292	-2,955	-2,694	-2,721	-2,923	-3,176	-3,197	-2,921	276
27	Other private services.....	-47,670	-11,217	-12,014	-12,163	-12,276	-12,335	-13,166	-13,452	-286
28	U.S. Government miscellaneous services.....	-2,849	-672	-667	-765	-745	-682	-729	-756	-27
29	Income payments.....	-270,529	-66,211	-67,127	-69,174	-68,014	-68,368	-71,469	-74,483	-3,014
30	Income payments on foreign-owned assets in the United States.....	-263,423	-64,476	-65,376	-67,381	-66,188	-66,504	-69,611	-72,613	-3,002
31	Direct investment payments.....	-43,441	-10,501	-10,567	-11,290	-11,081	-12,076	-14,496	-14,259	237
32	Other private payments.....	-128,863	-31,292	-31,849	-33,314	-32,408	-31,759	-31,960	-34,207	-2,247
33	U.S. Government payments.....	-91,119	-22,683	-22,960	-22,777	-22,699	-22,669	-23,155	-24,147	-992
34	Compensation of employees.....	-7,106	-1,735	-1,751	-1,793	-1,826	-1,864	-1,858	-1,870	-12
35	Unilateral current transfers, net.....	-44,075	-9,927	-9,886	-10,787	-13,474	-10,340	-11,212	-11,204	8
36	U.S. Government grants.....	-13,057	-2,340	-2,168	-2,807	-5,742	-2,200	-2,760	-2,700	60
37	U.S. Government pensions and other transfers.....	-4,350	-1,079	-1,095	-1,106	-1,071	-1,104	-1,116	-1,107	9
38	Private remittances and other transfers.....	-26,668	-6,508	-6,623	-6,874	-6,661	-7,036	-7,336	-7,397	-61

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Table 1.--U.S. International Transactions (Continued)
 [Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	1998				1999				Change: 1999
		I	II	III	IV	I	IIr	IIIp	II-III	
Capital and financial account										
Capital account										
39	Capital account transactions, net.....	617	143	160	148	166	166	178	166	-12
Financial account										
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-292,818	-59,599	-120,517	-62,097	-50,607	-15,148	-154,713	-101,483	53,230
41	U.S. official reserve assets, net.....	-6,784	-444	-1,945	-2,026	-2,369	4,068	1,159	1,950	791
42	Gold.....	-149
43	Special drawing rights.....	-149	-182	72	188	-227	563	-190	-185	5
44	Reserve position in the International Monetary Fund.....	-5,118	-85	-1,031	-2,078	-1,924	3	1,413	2,268	855
45	Foreign currencies.....	-1,517	-177	-986	-136	-218	3,502	-64	-133	-69
46	U.S. Government assets, other than official reserve assets, net.....	-429	-81	-483	185	-50	119	-392	-673	-281
47	U.S. credits and other long-term assets.....	-4,676	-1,192	-1,156	-1,285	-1,043	-1,304	-2,167	-1,591	576
48	Repayments on U.S. credits and other long-term assets.....	4,102	1,133	699	1,332	938	1,545	1,887	1,020	-867
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	145	-22	-26	138	55	-122	-112	-102	10
50	U.S. private assets, net.....	-285,605	-59,074	-118,089	-60,256	-48,188	-19,335	-155,480	-102,760	52,720
51	Direct investment.....	-132,829	-37,300	-43,172	-21,586	-30,773	-41,385	-31,566	-44,535	-12,969
52	Foreign securities.....	-102,817	-14,116	-32,886	14,994	-70,809	8,132	-64,579	-26,511	38,068
53	U.S. claims on unaffiliated foreigners reported by									
	U.S. nonbanking concerns.....	-25,041	-6,596	-14,327	-20,320	16,202	-13,853	-16,816	-32,098	-15,282
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-24,918	-1,062	-27,704	-33,344	37,192	27,771	-42,519	384	42,903
55	Foreign-owned assets in the United States, net (increase/financial inflow (+)).....	502,637	96,817	162,466	93,547	149,805	88,860	274,271	207,153	-67,118
56	Foreign official assets in the United States, net.....	-21,684	11,004	-10,551	-46,489	24,352	4,708	-628	12,106	12,734
57	U.S. Government securities.....	-3,625	13,946	-20,064	-30,905	33,398	6,793	-916	14,812	15,728
58	U.S. Treasury securities.....	-9,957	11,336	-20,318	-32,811	31,836	800	-6,708	12,880	19,588
59	Other.....	6,332	2,610	254	1,906	1,562	5,993	5,792	1,932	-3,860
60	Other U.S. Government liabilities.....	-3,113	-1,028	-807	-224	-1,054	-1,594	-647	-1,163	-516
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	-11,469	-958	9,488	-12,866	-7,133	-589	1,437	-1,832	-3,269
62	Other foreign official assets.....	-3,477	-956	832	-2,494	-859	98	-502	289	791
63	Other foreign assets in the United States, net.....	524,321	85,813	173,017	140,036	125,453	84,152	274,899	195,047	-79,852
64	Direct investment.....	193,375	27,016	20,946	24,906	120,505	22,949	154,373	44,474	-109,899
65	U.S. Treasury securities.....	46,155	-2,557	25,759	-1,438	24,391	-8,781	-5,407	9,713	15,120
66	U.S. securities other than U.S. Treasury securities.....	218,026	76,810	71,785	20,103	49,328	61,540	79,067	93,062	13,995
67	U.S. currency.....	16,622	746	2,349	7,277	6,250	2,440	3,057	4,697	1,640
68	U.S. liabilities to unaffiliated foreigners reported by									
	U.S. nonbanking concerns.....	9,412	32,707	18,040	11,875	-53,210	20,188	8,871	12,136	3,265
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	40,731	-48,909	34,138	77,313	-21,811	-14,184	34,938	30,965	-3,973
70	Statistical discrepancy (sum of above items with sign reversed).....	10,126	5,657	10,291	31,878	-37,695	-5,224	-38,827	-15,887	22,940
Memoranda:										
71	Balance on goods (lines 3 and 20).....	-246,932	-54,876	-63,500	-64,969	-63,587	-74,203	-84,412	-92,145	-7,733
72	Balance on services (lines 4 and 21).....	82,650	21,538	21,539	19,245	20,325	20,229	19,327	18,320	-1,007
73	Balance on goods and services (lines 2 and 19).....	-164,282	-33,338	-41,961	-45,724	-43,262	-53,974	-65,085	-73,825	-8,740
74	Balance on income (lines 12 and 29).....	-12,205	247	-553	-6,965	-4,933	-4,340	-4,612	-4,920	-308
75	Unilateral current transfers, net (line 35).....	-44,075	-9,927	-9,886	-10,787	-13,474	-10,340	-11,212	-11,204	8
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-220,562	-43,018	-52,400	-63,476	-61,669	-68,654	-80,909	-89,949	-9,040

r Revised. p Preliminary.

1. Adjusted for timing, valuation, and coverage to balance of payments basis; excludes exports under U. S. military agency sales contracts and imports of U. S. military agencies.

2. Includes some goods that cannot be separately identified from services.

NOTE:--Details may not add to totals because of rounding. Source: U. S. Department of Commerce, Bureau of Economic Analysis